

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

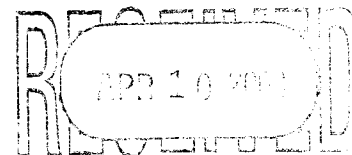
ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-01045A
Cottonwood Water Works, Inc.
1042 N. Main Street
Cottonwood AZ 86326

ANNUAL REPORT

ARIZONA CORPORATION
COMMISSION



Director of Service

FOR YEAR ENDING

12	31	2002
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FOR COMMISSION USE

ANNO4	02
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*Entered
4-10-03
C. M.
2002
assessment
at upland
C. M.*

COMPANY INFORMATION

Company Name (Business Name) Cottonwood Waterworks, Inc.

Mailing Address 1042 Main Street

(Street)

Cottonwood

(City)

Arizona

(State)

86326

(Zip)

(928) 634-5559

Telephone No. (Include Area Code)

(928) 634-5962

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address cww@sedona.net

Local Office Mailing Address same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Charles D. Garrison

(Name)

President

(Title)

1042 N. Main Street

(Street)

Cottonwood

(City)

Arizona

(State)

86326

(Zip)

(928) 634-5559

Telephone No. (Include Area Code)

(928) 634-5962

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address cww@sedona.net

On Site Manager: same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Statutory Agent: Charles D. Garrison
(Name)
1042 N. Main Street Scottsdale Arizona 86326
(Street) (City) (State) (Zip)
(928) 634-5559 (928) 634-5962
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Richard L. Sallquist
(Name)
2525 E. Arizona Biltmore Circle, Ste. 117 Phoenix, AZ 85016
(Street) (City) (State) (Zip)
(602) 224-9222 (602) 224-9366
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED


Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input checked="" type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME	COTTONWOOD WATERWORKS, INC.
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UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	\$ 3,343	\$ 805	\$ 2,538
302	Franchises	5,077		5,077
303	Land and Land Rights	48,467		48,467
304	Structures and Improvements	134,127	101,356	32,771
307	Wells and Springs	368,600	71,287	297,313
311	Pumping Equipment	387,059	114,491	272,568
320	Water Treatment Equipment	15,717	8,227	7,490
330	Distribution Reservoirs and Standpipes	785,381	169,911	615,470
331	Transmission and Distribution Mains	4,907,393	1,378,593	3,528,800
333	Services	419,611	138,998	280,613
334	Meters and Meter Installations	746,879	354,254	392,625
335	Hydrants	442,295	81,318	360,977
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	66,963	61,813	5,150
341	Transportation Equipment	85,199	76,511	8,688
343	Tools, Shop and Garage Equipment	44,969	41,882	3,087
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	12,110	9,898	2,212
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	\$ 8,473,190	\$ 2,609,344	\$ 5,863,846


This amount goes on the Balance Sheet Acct. No. 108 

See accountants compilation report.

COMPANY NAME	COTTONWOOD WATERWORKS, INC.
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CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	\$ 3,343	20.0%	\$ -
302	Franchises	5,077		
303	Land and Land Rights	48,467		
304	Structures and Improvements	134,127	4.0%	4,988
307	Wells and Springs	368,600	3.1%	9,913
311	Pumping Equipment	387,059	2.4%	11,868
320	Water Treatment Equipment	15,717	5.0%	557
330	Distribution Reservoirs and Standpipes	785,381	4.0%	15,635
331	Transmission and Distribution Mains	4,907,393	2.8%	128,390
333	Services	419,611	3.3%	12,746
334	Meters and Meter Installations	746,879	3.4%	24,576
335	Hydrants	442,295	4.0%	7,913
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	66,963	14.0%	5,867
341	Transportation Equipment	85,199	20.0%	5,545
343	Tools, Shop and Garage Equipment	44,969	7.7%	1,303
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	12,110	7.7%	513
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	Less amortization of CIAC			(24,187)
	TOTALS	\$ 8,473,190		\$ 205,627

This amount goes on Comparative Statement of Income and Expense Acct. No. 403 

*Depreciation expense % calculated on an average of allowable rates for asset category

COMPANY NAME	COTTONWOOD WATERWORKS, INC.
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BALANCE SHEET

ACCT. NO.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 3,933	\$ 37,072
134	Working Funds		
135	Temporary Cash Investments	485,513	492,839
141	Customer Accounts Receivable	105,386	109,365
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	14,526	4,392
174	Miscellaneous Current and Accrued Assets	21,495	21,081
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 630,853	\$ 664,749
	FIXED ASSETS		
101	Utility Plant in Service	\$ 8,217,953	\$ 8,473,190
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(2,406,993)	(2,609,344)
121	Non-Utility Property	23,334	23,334
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 5,834,294	\$ 5,887,180
	TOTAL ASSETS	\$ 6,465,147	\$ 6,551,929

Note: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME	COTTONWOOD WATERWORKS, INC.
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BALANCE SHEET (CONTINUED)

ACCT. NO.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$ 36,024
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	66,417	67,662
236	Accrued Taxes	40,835	33,821
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	44,293	108,779
	TOTAL CURRENT LIABILITIES	\$ 151,545	\$ 246,286
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	3,095,152	2,995,102
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	722,815	846,542
272	Less: Amortization of Contributions	(142,290)	(166,477)
281	Accumulated Deferred Income Tax	271,000	276,000
	TOTAL DEFERRED CREDITS	\$ 3,946,677	\$ 3,951,167
	TOTAL LIABILITIES	\$ 4,098,222	\$ 4,197,453
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 269,100	\$ 269,100
211	Paid in Capital in Excess of Par Value	77,000	77,000
215	Retained Earnings	2,020,825	2,008,376
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 2,366,925	\$ 2,354,476
	TOTAL LIABILITIES AND CAPITAL	\$ 6,465,147	\$ 6,551,929

See accountant's compilation report.

COMPANY NAME	COTTONWOOD WATERWORKS, INC.
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COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 1,143,521	\$ 1,212,347
460	Unmetered Water Revenue		
474	Other Water Revenues	48,252	46,414
	TOTAL REVENUES	\$ 1,191,773	\$ 1,258,761
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 373,336	\$ 427,110
610	Purchased Water		
615	Purchased Power	148,149	170,268
618	Chemicals	8,179	6,174
620	Repairs and Maintenance	48,221	56,631
621	Office Supplies and Expense	50,778	54,911
630	Outside Services	35,352	50,750
635	Water Testing	29,723	11,201
641	Rents		
650	Transportation Expenses	16,505	20,271
657	Insurance – General Liability	12,042	18,571
659	Insurance - Health and Life	66,598	86,232
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	4,952	6,568
403	Depreciation Expense	222,095	205,627
408	Taxes Other Than Income	2,610	2,303
408.11	Property Taxes	75,962	56,920
409	Income Tax	(14,390)	51,981
	TOTAL OPERATING EXPENSES	\$ 1,080,112	\$ 1,225,518
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 15,273	\$ 7,326
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		(8,819)
427	Interest Expense	(3,718)	(3,833)
	TOTAL OTHER INCOME/EXP	\$ 11,555	\$ (5,326)
	NET INCOME/(LOSS)	\$ 123,216	\$ 27,917

See accountant's compilation report.

COMPANY NAME**Cottonwood Waterworks, Inc.****SUPPLEMENTAL FINANCIAL DATA****Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 5,075.00

Meter Deposits Refunded During the Test Year

\$ 1,226.00

COMPANY NAME

Cottonwood Waterworks, Inc.

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-580166	20	200	505	12	3	2000
55-609080	15	150	Unknown	7	3	1920
55-609079	20	180	Unknown	7	3	1920
55-609078	75	260	835	12 & 18	4	1930
55-550414	150	670	800	12 & 16	6	1997
55-609076	5	50	Unknown	5	2	1920

- Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Haskell Spring (Intermittent)	Various	None
flowed last time in 1994		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	5	406	68
25	2		
60	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
100,000	1	5,000	2
300,000	1	8,000	2
500,000	1	10,000	1
550,000	1		

COMPANY NAME	Cottonwood Waterworks, Inc.
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WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-609075	60	240	160	10	3	1972
55-609074	30	180	505	10	3	1972
55-530748	60	320	900	12	6	1991
55-609073	3	10	135	10	6	1961
55-503444	75	370	160	14	6	1982
55-609072	60	150	925	8	4	1957

- Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
750,000	1		
1,000,000	1		

COMPANY NAME

Cottonwood Waterworks, Inc.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4	Various	140,250
5		
6		
8		
10	Various	285,078
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	4,423
3/4	
1	150
1 1/2	57
2	66
Comp. 3	
Turbo 3	
Comp. 4	1
Tubo 4	
Comp. 6	1
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

COMPANY NAME:

Cottonwood Waterworks, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2002

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	4,401	42,433,000	
FEBRUARY	4,415	36,590,000	
MARCH	4,431	41,367,000	
APRIL	4,453	55,218,000	
MAY	4,452	66,064,000	
JUNE	4,477	73,403,000	
JULY	4,478	77,116,000	
AUGUST	4,492	68,998,000	
SEPTEMBER	4,489	60,751,000	
OCTOBER	4,499	57,750,000	
NOVEMBER	4,500	39,194,000	
DECEMBER	4,512	38,456,000	
TOTAL		N/A	683,505,000

657,240,000

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes

(x) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes

(x) No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. .002 - .023 mg/l

(If more than one well, please list each separately)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME COTTONWOOD WATERWORKS, INC. YEAR ENDING 12/31/2002

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2002 was: \$ 66,441.12

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>168,800</u>
Estimated or Actual Federal Tax Liability	<u>23,449</u>
State Taxable Income Reported	<u>182,515</u>
Estimated or Actual State Tax Liability	<u>12,712</u>
Amount of Grossed-Up Contributions/Advances:	
Amount of Contributions/Advances	<u> </u>
Amount of Gross-Up Tax Collected	<u> </u>
Total Grossed-Up Contributions/Advances	<u> </u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

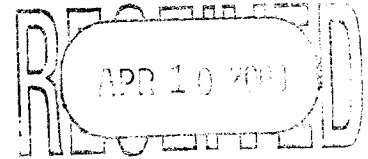
Charles D. Garrison
SIGNATURE

4/8/03
DATE

CHARLES D. GARRISON
PRINTED NAME

PRESIDENT
TITLE

VERIFICATION AND SWORN STATEMENT Intrastate Revenues Only



VERIFICATION
STATE OF Arizona
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	<u>Yavapai</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Charles D. Garrison, President</u>
COMPANY NAME	<u>Cottonwood Waterworks, Inc.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2002</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 1,364,824

(THE AMOUNT IN BOX ABOVE
INCLUDES \$101,737
IN SALES TAXES BILLED, OR COLLECTED

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

Charles D. Garrison
SIGNATURE OF OWNER OR OFFICIAL

928-634-5559

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

08th
Notary Public State of Arizona

DAY OF

COUNTY NAME	<u>Yavapai</u>
MONTH	<u>April</u> <u>2003</u>



Yavapai County
Martha A. Grimes
Expires January 25, 2006

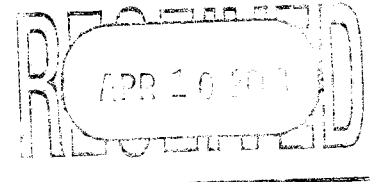
Martha A. Grimes
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

January 25, 2006

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

ARIZONA CORPORATION
COMMISSION



Director of Finance

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

(COUNTY NAME)	Yavapai	
NAME (OWNER OR OFFICIAL)	Charles D. Garrison	TITLE President
COMPANY NAME	Cottonwood Waterworks, Inc.	

MONTH	DAY	YEAR
12	31	2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$1,224,085

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$91,869
IN SALES TAXES BILLED, OR COLLECTED

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

08th

DAY OF

(SEAL)



Notary Public State of Arizona
Yavapai County
Martha A Grimes
Expires January 25, 2006

MY COMMISSION EXPIRES

January 25, 2006

NOTARY PUBLIC NAME	Martha A. Grimes	
COUNTY NAME	Yavapai	
MONTH	April	2003

X
SIGNATURE OF NOTARY PUBLIC

906-60-360, 381, 630, 660
COTTONWOOD WATER WORKS, INC. 406-29-002A, 002B, 002D
 1042 N. MAIN
 COTTONWOOD, AZ 86326
 (928) 634-5559

39608
 91-504/1221

PAY TO THE ORDER OF ROSS D. JACOBS, COUNTY TREASURER DATE 10/28/02

TWENTY EIGHT THOUSAND FOUR HUNDRED SIXTY & 03/100 \$ 28,460.03
 DOLLARS

THE STOCKMEN'S BANK
 COTTONWOOD BRANCH 704 S. MAIN
 COTTONWOOD, ARIZONA 86326

FOR _____ *Charles D. Gannin*

⑈039608⑈ ⑆122105045⑆ 1701000083⑈ ⑈0002846003⑈

55601376
 1221-00024
 20658264 BANK ONE, NA.
 31537 0003
 10302002 1015 CREDIT TO PAYEE'S ACCT
 280018089 4402 4402 15 10-31-02

COTTONWOOD WATER WORKS, INC.
 1042 N. MAIN
 COTTONWOOD, AZ 86326
 (928) 634-5559

38881
 91-504/1221

PAY TO THE ORDER OF ROSS D. JACOBS, COUNTY TREASURER DATE 4/26/02

THIRTY SEVEN THOUSAND NINE HUNDRED EIGHTY ONE & 07/100 \$ 37,981.07
 DOLLARS

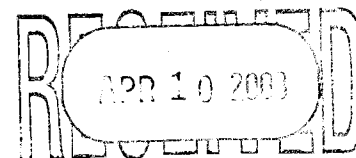
THE STOCKMEN'S BANK
 COTTONWOOD BRANCH 704 S. MAIN
 COTTONWOOD, ARIZONA 86326

FOR _____ *Charles D. Gannin*

⑈038881⑈ ⑆122105045⑆ 1701000083⑈ ⑈0003798107⑈

APR 27 2002
 21575 0002
 1015 CREDIT TO PAYEE'S ACCT
 20658264 BANK ONE, NA.
 1221-00024
 1060001020
 050102

ARIZONA CORPORATION
COMMISSION



Director of Finance

COTTONWOOD WATER WORKS, INC.

**UTILITIES DIVISION
ANNUAL REPORT**

YEAR ENDED DECEMBER 31, 2002

Dennis, Schmich & Co., Ltd.

Certified Public Accountants

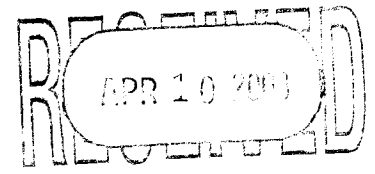
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Phoenix, Arizona 85012

ARIZONA CORPORATION
COMMISSION



Director of Finance

Board of Directors
Cottonwood Water Works, Inc.
Cottonwood, Arizona

We have compiled the balance sheets and statements of income and expense of Cottonwood Waterworks, Inc. as of December 31, 2002 and 2001, and for the years then ended included in the accompanying prescribed form of Arizona Corporation Commission Utilities Division Annual Report of Cottonwood Water Works, Inc. in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information on pages 3 through 6 and pages 16 through 18.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission Utilities Division, information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and supplemental information are presented in accordance with the requirements of the Arizona Corporation Commission Utilities Division, which differ from accounting principles generally accepted in the United States of America. Accordingly, these financial statements are not designed for those who are not informed about such differences.

The supplementary information on pages 10 through 15 and page 19 contained in the accompanying prescribed form has not been audited, reviewed or compiled by us and, accordingly, we assume no responsibility for that information.

March 25, 2003

Dennis, Schmich & Co., Ltd.